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SUBJECT: Argentina's Mendoza Province: Agriculture-Based Growth and Commercial Links to Chile

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Summary  
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¶1. (SBU) During a visit to Mendoza to attend the province's emblematic Vendimia wine harvest festival, Ambassador reviewed the province's strong economic growth -- and burgeoning inflation -- with newly elected Radical Party Mendoza City Mayor Fayad, and briefly with Governor Jaque and Provincial Minister for Investment, Security and the Economy Aguinaga. Ambassador visited Mendoza Food Bank officials and an underprivileged youth tennis academy to support local grass-roots organizations' social responsibility and volunteer efforts. In an interview with editors of local daily newspaper Los Andes, editors attributed Mendoza's distinctive independent political orientation to a highly educated technical middle class and term limits for governors that leave the province less susceptible to political "manipulation" than other Argentine metropolitan centers. They attributed the widely acknowledged crime problem in Mendoza City to an inflation-linked decline in lower-income class purchasing power and a deterioration of traditionally strong family structures linked to the 2001/2 economic crisis. The bulk of Argentine/Chilean commercial trade passes through Mendoza, improving the province's long term growth prospects.  
End Summary.

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Mayor of Mendoza City and Provincial Officials  
on the Local Economy  
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¶2. (SBU) Radical Party Mendoza City Mayor Fayad, re-elected in November 2007 for a second term after a 16-year hiatus, reviewed with Ambassador the province's strong, largely agriculture-based economic growth. He acknowledged high levels of provincial inflation, but felt that such levels would not significantly affect the province's medium-term prospects since an undervalued peso will ensure an expanding agricultural export market. (Mendoza recently adopted the federal government's inflation calculation methodology and its "official" inflation rates are now significantly below those calculated by independent analysts.) Fayad, viewed as the new leader of the provincial Radical party, characterized the Radical party's situation as "complicated." (The Radical party was broken in the last elections due to the defections of key party members to President Kirchner's victory Front coalition, including former Mendoza Governor and now Argentine Vice President Cobos.) Fayad is a former International Visitor grantee and he spoke enthusiastically of his trips to the US, especially the last one four years ago when he was part of a team of seven Argentine election observers in Washington. He expressed admiration for American presidential election voting policies and logistics.

13. (SBU) Ambassador held several brief discussions with Governor Celso Jaque, his Chief of Staff and Provincial Minister for Infrastructure, Energy, Industry and Security Juan Carlos Aguinaga as well as one of the Senators for the Province and the Governors of nearby San Juan and Salta provinces. Mendoza officials were eager to attract US investment and to continue educational exchanges. The provincial Security Minister was enthused with the prospect of USG training courses at the International Law Enforcement Academy (ILEA) and restarting cooperation with DEA. The Energy Minister noted that a US natural gas exploration company would be visiting within weeks to consider starting operations in the province. Several officials commented on looming challenges of energy and water shortages. Despite an anti-mining protest during the Vendimia festival, ministers said the provincial government would support mining projects with adequate environmental safeguards.

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Mendoza Food Bank: Local Volunteerism  
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14. (SBU) Ambassador met with volunteers and board members of the Mendoza Food Bank, including its President, Bernardo Zunino. The Food Bank is an organization that works to alleviate the economic legacy of the 2001-2002 economic crisis on the poorer strata of society. It is led by successful private sector entrepreneurs and professionals who donate their expertise as nutritionists, doctors, accountants, and lawyers and utilize spare capacity in various business ventures to receive, store, and distribute food to at-risk sectors of the population, including dozens of food kitchens for the young and the old.

15. (SBU) The Food Bank estimates that 130,000 of the Mendoza province's 1.7 million citizens fall below the poverty line and 27,000 children suffer from inadequate nourishment. The Food Bank currently assists 9,000, mostly children and elderly, with food and programs that work to improve nutrition, health, and food hygiene. They receive no public funding, but are affiliated with a web of food banks in Argentina, as well as the Global Foodbanking Network based in Chicago. Food Bank officials commented on their efforts to develop a transparent system for food distribution. Ambassador praised the Food Bank as an excellent and unusually effective example of corporate social responsibility and volunteerism. Food Bank officials, in turn, expressed appreciation for Embassy's continuing efforts to highlight their organizations good work. Ambassador had met with President Zunino on a previous visit and the embassy has been a regular supporter of the Argentine food bank network as well as helping organizers participate in NGO meetings held in the US.

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Tennis for the Masses  
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16. (SBU) Ambassador visited a tennis academy serving children in a low-income neighborhood on the outskirts of Mendoza. Co-located with a local sports center, the tennis program provides training for 60 children and was developed by a local tennis teaching professional with the support of local donors, including a Mendozaan living in the United States who believes sports are the best way to keep kids off the streets and away from drugs. Ambassador spoke of the universal values learned playing sports, presented the program with a collection of tennis equipment donated by Embassy personnel, and distributed gifts to thirty children present, who gave a spirited demonstration of their tennis prowess. Program director Laura Rocco and Provincial Secretary of Sport Beatriz Barbera thanked Ambassador for bringing attention to their efforts to expand options available to children in poor communities.

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Positive Local Media Coverage  
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17. (SBU) A coterie of local print, radio, and television journalists met the Ambassador upon his arrival, requesting an informal interview session. While media focused on Ambassador's participation in the Vendimia celebration, they also raised

questions on the USG's position on the Ecuador/Colombia border crisis. Ambassador later met with Editor-in-Chief of Mendoza province's oldest print daily, Los Andes, Dr. Arturo Guardiola, Senior Editor Carlos La Rosa, and Political and Economic Editor Marcelo Zentil. Los Andes ownership is split, with 80% controlled by Argentina's two largest media conglomerates (Clarín and La Nación), and 20% by a private Mendoza family. Los Andes editors noted that Clarín and La Nación grant Los Andes complete editorial independence. Ambassador noted his own experience as a journalist and the value of an informed press and an informed public.

¶18. (SBU) In response to Ambassador's questions on Mendoza City's history and political dynamic, editors explained that, subsequent to an 1861 earthquake that destroyed the city and killed 5,000 people, the newly rebuilt city flourished, with a predominantly immigrant population building eight important universities.

¶19. (SBU) Ambassador noted neighboring Chile's sustained economic development and asked about projects to improve commercial links between Mendoza and Chile. Editors noted a proposal by Argentine entrepreneur Eduardo Eurnekian's Americas Corporation to build a 14 km-long tunnel through the Andes facilitating transport between the Atlantic and the Pacific. Chile's strong economy works to Mendoza's advantage, they said, with bilateral trade increasingly contributing to Mendoza's overall economic growth and importance as a gateway for commercial transit between the two nations. Mendoza also benefits from a continuing stream of relatively small but significant investments by Americans and Europeans buying houses and vineyards.

¶10. (SBU) Los Andes editors raised the deterioration in personal security in Mendoza. In response to Ambassador's question on how Mendoza security statistics compare to national averages, editors suggested that national statistics are not entirely accurate. They attributed the widely acknowledged crime problem in Mendoza City to: 1) an inflation-linked decline in lower-income class purchasing power (an independent Mendoza University study puts provincial inflation at 25% per year); 2) significant immigration in the 1990s of poor and marginal workers from Chile, Bolivia, and Paraguay; and 3) a deterioration of traditionally strong family structures and values linked to the 2001/2 economic crisis, with a lower emphasis placed on children's education.

¶11. (SBU) In response to editors' questions on ways to improve Argentine citizens' impressions of the US, Ambassador noted the importance of people-to-people exchanges to improve cross-cultural understanding and noted Embassy efforts with regard to youth

programs, English language study, Fulbright scholarships, and international visitors. On questions raised on the recent Colombia/Ecuador/Venezuela border frictions, Ambassador praised President Kirchner's recent statements encouraging peaceful resolution of the crisis. Ambassador also noted WHA Assistant Secretary Tom Shannon's recent comments on Argentina's important

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contribution to the OAS' attempts to find a peaceful solution, and on Argentina's humanitarian efforts to liberate the hostages from the FARC.

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Comment  
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¶12. (SBU) From the Mendoza City mayor on down to local media, most of the Ambassador's interlocutors presented Mendoza province as an unusually independent political entity. It is interesting to note the disconnect between Mayor Fayad's comment that high levels of provincial inflation would not significantly affect the province's medium-term prospects, and local daily Los Andes editors attribution of the widely acknowledged crime problem in Mendoza City to an inflation-linked decline in lower-income class purchasing power. Mendoza has drawn significant foreign investment by successfully branding itself as an important global center of high-quality wine production. Its geography, providing the primary commercial link between Argentina and Chile, also offers it a potential long-term economic advantage as both countries' economies continue to develop and as regional commerce continues to flourish.

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